

33 (B) sold; or

34 (C) transported from the field where the substance was produced.

35 (b) [~~This section applies to an interest in oil or gas produced from a well in the state or~~
36 ~~in the proceeds of the production of oil or gas produced from a well in the state except for:~~]

37 The severance tax imposed by Subsection (1)(a) does not apply to:

38 (i) (A) an interest of the United States in oil or gas or in the proceeds of the production
39 of oil or gas;

40 ~~[(ii)]~~ (B) an interest of the state or a political subdivision of the state in oil or gas or in
41 the proceeds of the production of oil or gas; ~~[or]~~ and

42 ~~[(iii)]~~ (C) an interest of an Indian or Indian tribe as defined in Section 9-9-101 in oil or
43 gas or in the proceeds of the production of oil or gas produced from land under the jurisdiction
44 of the United States~~[-];~~ and

45 (ii) (A) the value of oil or gas produced from stripper wells, unless the exemption
46 prevents the severance tax from being treated as a deduction for federal tax purposes;

47 (B) the value of oil or gas produced in the first 12 months of production for wildcat
48 wells started after January 1, 1990; and

49 (C) the value of oil or gas produced in the first six months of production for
50 development wells started after January 1, 1990.

51 (2) The severance tax imposed by Subsection (1)(a) shall be calculated by:

52 (a) determining the value, in accordance with Section 59-5-103.1, of all oil or gas
53 produced and saved, sold, or transported from the field where the substance was produced,
54 including oil and gas that is exempt from taxation under Subsection (1)(b);

55 (b) then subtracting the value of:

56 (i) any interests described in Subsection (1)(b)(i) by deducting royalties or other
57 proceeds paid to the interest holders; and

58 (ii) oil or gas exempt from severance tax under Subsection (1)(b)(ii); and

59 (c) multiplying the remaining value by the applicable severance tax rate established in
60 Subsection (3).

61 ~~[(2)]~~ (3) (a) [~~Subject to Subsection (2)(d), the]~~ The severance tax rate for oil is as
62 follows:

63 (i) 3% of the value of the oil up to and including the first \$13 per barrel for oil; and

64 (ii) 5% of the value of the oil from \$13.01 and above per barrel for oil.

65 (b) ~~[Subject to Subsection (2)(d), the]~~ The severance tax rate for natural gas is as
66 follows:

67 (i) 3% of the value of the natural gas up to and including the first \$1.50 per MCF for
68 gas; and

69 (ii) 5% of the value of the natural gas from \$1.51 and above per MCF for gas.

70 (c) ~~[Subject to Subsection (2)(d), the]~~ The severance tax rate for natural gas liquids is
71 4% of the value of the natural gas liquids.

72 ~~[(d)(i) On or before December 15, 2004, the Office of the Legislative Fiscal Analyst
73 and the Governor's Office of Management and Budget shall prepare a revenue forecast
74 estimating the amount of revenues that:]~~

75 ~~[(A) would be generated by the taxes imposed by this part for the calendar year
76 beginning on January 1, 2004 had 2004 General Session S.B. 191 not taken effect; and]~~

77 ~~[(B) will be generated by the taxes imposed by this part for the calendar year beginning
78 on January 1, 2004.]~~

79 ~~[(ii) Effective on January 1, 2005, the tax rates described in Subsections (2)(a) through
80 (c) shall be:]~~

81 ~~[(A) increased as provided in Subsection (2)(d)(iii) if the amount of revenues estimated
82 under Subsection (2)(d)(i)(B) is less than the amount of revenues estimated under Subsection
83 (2)(d)(i)(A); or]~~

84 ~~[(B) decreased as provided in Subsection (2)(d)(iii) if the amount of revenues
85 estimated under Subsection (2)(d)(i)(B) is greater than the amount of revenues estimated under
86 Subsection (2)(d)(i)(A).]~~

87 ~~[(iii) For purposes of Subsection (2)(d)(ii):]~~

88 ~~[(A) subject to Subsection (2)(d)(iv)(B):]~~

89 ~~[(I) if an increase is required under Subsection (2)(d)(ii)(A), the total increase in the tax
90 rates shall be by the amount necessary to generate for the calendar year beginning on January 1,
91 2005 revenues equal to the amount by which the revenues estimated under Subsection
92 (2)(d)(i)(A) exceed the revenues estimated under Subsection (2)(d)(i)(B); or]~~

93 ~~[(II) if a decrease is required under Subsection (2)(d)(ii)(B), the total decrease in the
94 tax rates shall be by the amount necessary to reduce for the calendar year beginning on January~~

95 ~~1, 2005 revenues equal to the amount by which the revenues estimated under Subsection~~
96 ~~(2)(d)(i)(B) exceed the revenues estimated under Subsection (2)(d)(i)(A); and]~~
97 ~~[(B) an increase or decrease in each tax rate under Subsection (2)(d)(ii) shall be in~~
98 ~~proportion to the amount of revenues generated by each tax rate under this part for the calendar~~
99 ~~year beginning on January 1, 2003.]~~

100 ~~[(iv) (A) The commission shall calculate any tax rate increase or decrease required by~~
101 ~~Subsection (2)(d)(ii) using the best information available to the commission.]~~

102 ~~[(B) If the tax rates described in Subsections (2)(a) through (c) are increased or~~
103 ~~decreased as provided in this Subsection (2)(d), the commission shall mail a notice to each~~
104 ~~person required to file a return under this part stating the tax rate in effect on January 1, 2005~~
105 ~~as a result of the increase or decrease.]~~

106 ~~[(3)] (4) If oil or gas is shipped outside the state:~~

- 107 (a) the shipment constitutes a sale; and
108 (b) the oil or gas is subject to the tax imposed by this section.

109 ~~[(4)] (5) (a) Except as provided in Subsection [(4)] (5)(b), if the oil or gas is stockpiled,~~
110 ~~the tax is not imposed until the oil or gas is:~~

- 111 (i) sold;
112 (ii) transported; or
113 (iii) delivered.

114 (b) Notwithstanding Subsection [(4)] (5)(a), if oil or gas is stockpiled for more than
115 two years, the oil or gas is subject to the tax imposed by this section.

116 ~~[(5) A tax is not imposed under this section upon:]~~

117 ~~[(a) stripper wells, unless the exemption prevents the severance tax from being treated~~
118 ~~as a deduction for federal tax purposes;]~~

119 ~~[(b) the first 12 months of production for wildcat wells started after January 1, 1990;~~
120 ~~or]~~

121 ~~[(c) the first six months of production for development wells started after January 1,~~
122 ~~1990.]~~

123 (6) (a) Subject to Subsections (6)(b) and (c), a working interest owner who pays for all
124 or part of the expenses of a recompletion or workover may claim a nonrefundable tax credit
125 equal to 20% of the amount paid.

126 (b) The tax credit under Subsection (6)(a) for each recompletion or workover may not
127 exceed \$30,000 per well during each calendar year.

128 (c) ~~[If any amount of tax credit a taxpayer is allowed under this Subsection (6) exceeds~~
129 ~~the taxpayer's tax liability under this part for the calendar year for which the taxpayer claims~~
130 ~~the tax credit, the amount of tax credit exceeding the taxpayer's tax liability for the calendar~~
131 ~~year may be carried forward for the next three calendar years.] A working interest owner may
132 carry forward a tax credit allowed under this Subsection (6) for the next three calendar years if
133 the tax credit exceeds the working interest owner's tax liability under this part for the calendar
134 year in which the working interest owner claims the tax credit.~~

135 (7) A 50% reduction in the tax rate is imposed upon the incremental production
136 achieved from an enhanced recovery project.

137 (8) The taxes imposed by this section are:

138 (a) in addition to all other taxes provided by law; and

139 (b) delinquent, unless otherwise deferred, on June 1 ~~[next succeeding]~~ following the
140 calendar year when the oil or gas is:

141 (i) produced; and

142 (ii) (A) saved;

143 (B) sold; or

144 (C) transported from the field.

145 (9) With respect to the tax imposed by this section on each owner of an interest in the
146 production of oil or gas or in the proceeds of the production of ~~[those substances produced]~~ oil
147 or gas in the state, each owner is liable for the tax in proportion to the owner's interest in the
148 production or in the proceeds of the production.

149 (10) The tax imposed by this section shall be reported and paid by each producer that
150 takes oil or gas in kind pursuant to an agreement on behalf of the producer and on behalf of
151 each owner entitled to participate in the oil or gas sold by the producer or transported by the
152 producer from the field where the oil or gas is produced.

153 (11) Each producer shall deduct the tax imposed by this section from the amounts due
154 to other owners for the production or the proceeds of the production.

155 ~~[(12) (a) The Revenue and Taxation Interim Committee shall review the applicability~~
156 ~~of the tax provided for in this chapter to coal-to-liquids, oil shale, and tar sands technology on~~

157 or before the October 2011 interim meeting.]

158 ~~[(b) The Revenue and Taxation Interim Committee shall address in its review the cost~~
 159 ~~and benefit of not applying the tax provided for in this chapter to coal-to-liquids, oil shale, and~~
 160 ~~tar sands technology.]~~

161 ~~[(c) The Revenue and Taxation Interim Committee shall report its findings and~~
 162 ~~recommendations under this Subsection (12) to the Legislative Management Committee on or~~
 163 ~~before the November 2011 interim meeting.]~~

164 Section 2. Section **59-5-103.1** is amended to read:

165 **59-5-103.1. Valuation of oil or gas -- Deductions.**

166 (1) (a) For purposes of the tax imposed under Section 59-5-102 and subject to
 167 Subsection (2), the value of oil or gas shall be determined at the first point closest to the well at
 168 which the fair market value for the oil or gas may be determined by:

169 (i) a sale pursuant to an arm's-length contract; or

170 (ii) for a sale other than a sale described in Subsection (1)(a)(i), comparison to other
 171 sales of oil or gas.

172 (b) For purposes of determining the fair market value of oil or gas under this
 173 Subsection (1), a person subject to a tax under Section 59-5-102 may deduct:

174 (i) all processing costs from the value of[:] oil or gas; and

175 ~~[(A) oil; or]~~

176 ~~[(B) gas; and]~~

177 (ii) (A) except as provided in Subsection (1)(b)(ii)(B), all transportation costs from the
 178 value of[:] oil or gas; and

179 ~~[(F) oil; and]~~

180 ~~[(H) gas; and]~~

181 (B) notwithstanding Subsection (1)(b)(ii)(A), the deduction for transportation costs
 182 may not exceed 50% of the value of the[:] oil or gas.

183 ~~[(F) oil; or]~~

184 ~~[(H) gas.]~~

185 (2) Subsection (1)(a)(ii) applies to a sale of oil or gas between:

186 (a) a parent company and a subsidiary company;

187 (b) companies wholly owned or partially owned by a common parent company; or

188 (c) companies otherwise affiliated.

189 Section 3. **Effective date.**

190 If approved by two-thirds of all the members elected to each house, this bill takes effect
191 upon approval by the governor, or the day following the constitutional time limit of Utah
192 Constitution, Article VII, Section 8, without the governor's signature, or in the case of a veto,
193 the date of veto override.

194 Section 4. **Retrospective operation.**

195 This bill has retrospective operation to January 30, 2015.